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March 9, 2010

Mr. Dominique Strauss-Kahn  
Managing Director  
International Monetary Fund  
700 19th Street, N.W.,  
Washington, D.C. 20431

Dear Mr. Strauss-Kahn,

For nearly a decade, the Government of Greece effectively concealed the extent of its public debt with the help of private financial institutions, such as Goldman Sachs Co. These institutions allowed Greece to borrow around \$1 billion via questionable financial operations known as "off-market currency swaps."

We now know that Greek authorities misled European Union (EU) regulators regarding the nature of these transactions, as confirmed by Eurostat in an official statement on February 25, 2010. As I understand, Greece also never informed the International Monetary Fund (IMF) of its real financial position.

This lack of transparency towards the IMF by private lenders to governments imposes an unacceptable risk on the IMF and the global economy. The financial crisis in Greece, aided by off-the-books credit extended to the government, constitutes a systemic risk for other European Union countries, including Portugal, Spain, and Ireland.

In the United States, we have learned the tough lesson that the actions of private bankers who do not face the disclosure requirements and scrutiny of regulated financial institutions can pose a massive systemic risk requiring government and regulatory intervention. A similar scenario has played out in Greece, where private lenders facilitated the marketing of complex financial instruments that permitted government offices to delay needed fiscal austerity measures. As a result, the credit standing of EU members now face new and unexpected financial risks.

It is within IMF's scope of responsibility to prevent a situation like that of Greece from occurring. Article IV (3) (a) of the IMF Articles of Agreement mandates that "[t]he Fund shall oversee the international monetary system in order to ensure its effective operation, and shall oversee the compliance of each member with its obligations", while Article VIII (5) (a) clearly states that "[t]he Fund may require members to furnish it with such information as it deems necessary."

I am encouraged to learn that the Fund has recognized the systemic importance of large financial institutions and is trying to find ways to collect essential information from the national authorities to adequately monitor and assess the condition of such institutions. I would ask you to fully utilize the existing IMF mandate to oblige relevant national governments and regulatory authorities to publicly disclose all such off-market transactions, as they clearly constitute an unacceptable risk to the financial stability of IMF member states.

While I am cognizant of the February 22 IMF legal review of its mandate stating that “[a]rrangements between private parties (e.g. banks) fall outside of its scope”, it is clear that in light of the damage caused by the confidential extension of credit to the Greek government, a stricter interpretation of the IMF charter would reduce risk.

To reduce risk, the IMF must be confident of full compliance and information-sharing from regulators. I intend to raise this issue with the US Treasury Department and the US Securities and Exchange Commission to guarantee their full cooperation with your efforts.

I look forward to your response and to working with you to ensure that the IMF can fulfill its role as the chief guarantor of international financial stability.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Kirk", with a stylized initial "M".

Mark Steven Kirk  
Member of Congress